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Report to the Chairman, Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations, U.S. Senate

March 1988

FEDERAL MOTOR VEHICLES

Agencies' Progress in Meeting Expenditure Control Requirements

COMPLETED

ORIGINAL

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GAO

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General Government Division

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The Honorable Dennis DeConcini
Chairman, Subcommittee on Treasury,
Postal Service, and General Government
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This report is required by Title 15, Subtitle C of the Consolidated Omnibus Budget Reconciliation Act of 1985. The act requires federal agencies to take several actions to improve the management of motor vehicles and to reduce agencies' motor vehicle costs. Our report describes the initial efforts agencies have made to fulfill the requirements of the act.

Since the Subcommittee is the sponsor of the legislation, we are sending you this report. We are sending copies of this report to the Senate Committees on Appropriations, Budget, and Governmental Affairs and the House Committees on Appropriations, Budget, and Government Operations. We are also sending copies to the Administrator of the General Services Administration and other interested parties.

Sincerely yours,

Richard L. Fogel
Assistant Comptroller General

Executive Summary

Purpose

Public Law 99-272, The Consolidated Omnibus Budget Reconciliation Act of 1985, requires federal agencies to take several actions to improve the management of motor vehicles and to reduce agencies' costs. The act also requires GAO to report on how agencies have complied with the law's requirements. Federal agencies affected by the act spent about $915 million to acquire, lease, maintain, and dispose of motor vehicles in fiscal year 1985.

Background

The act assigns various responsibilities to the Administrator of the General Services Administration (GSA), the heads of certain executive agencies having 300 or more motor vehicles, the Director of the Office of Management and Budget (OMB), and GAO. The act requires GAO and OMB to assist GSA in developing the requirements for motor vehicle data collection systems. GSA and the other affected executive agencies are required to establish motor vehicle data collection systems based upon the above requirements and to select the least costly method of managing the federal motor vehicle fleet. The act requires the President to establish goals for agencies to reduce motor vehicle expenditures by $150 million by fiscal year 1988. It also requires agencies to improve the overall efficiency of the government's motor vehicle fleet.

The act requires federal agencies to use the data collection systems to record motor vehicle costs and report those costs to Congress for their appropriation requests for fiscal year 1988 and each succeeding year. To determine the least costly method of managing the federal motor vehicle fleet, the act requires agencies to compare their costs of operation to the cost of GSA's Interagency Fleet Management System, the cost of a qualified fleet management contractor, and any other method less costly to the government.

Results in Brief

All 20 agencies affected by the act have made some progress toward meeting its requirements; however, some significant requirements have not yet been implemented. GSA is in the process of updating the guidance agencies need to develop data collection systems; consequently, most agencies have not taken actions to meet this requirement.

The law does not specify a method for compiling cost data or conducting the cost comparison studies. Although a few of the executive agencies have started their cost comparison studies, most have not.

Agencies have made progress in reducing the cost of the federal motor vehicle fleet, and GSA has taken actions intended to improve the efficiency of the fleet. Together, agencies have reported actual and estimated motor vehicle budget outlay reductions which exceed the $150 million goal. GSA has reported actions designed to improve the efficiency of the motor vehicle disposal process.

GAO's Analysis

GAO reviewed 20 agencies' plans and completed actions to develop motor vehicle data collection systems. Most of the agencies are waiting for GSA to update its guidelines, which are to be used to develop data collection systems. Most of the agencies plan to modify their existing systems or create new data collection systems; however, a small number of agencies plan to use their current systems in establishing a motor vehicle data collection system because they believe their systems will have the capability of satisfying data collection system requirements once they have been developed by GSA. (See pp. 21 to 24.)

Most agencies expressed some uncertainty about the methodology to use for their cost studies. The law does not state that agencies must use any specific cost study methodology. While GSA has provided temporary guidance, most of the agencies are waiting for GSA to issue final guidance before doing their cost comparison studies. However, the Departments of Defense, Agriculture, Energy, Health and Human Services, and State have started their studies. (See pp. 24 to 28.)

For 1986 and 1987, agencies reported motor vehicle outlay reductions which totaled $166 million, or $16 million more than the $150 million goal. (See pp. 29 to 32.) GSA also reported savings in vehicle fleet operations of $11.9 million since fiscal year 1986 through consolidation of agency-owned motor vehicles. (See pp. 14 to 15.) Recommendations by GSA and other agencies for improving the vehicle disposal process indicate there will be reduced administrative burden but the recommendations do not identify any specific cost savings. (See pp. 15 to 17.)

Recommendations

This report describes rather than evaluates the actions agencies have taken to comply with the act and therefore contains no recommendations.

Agency Comments

GAO obtained official comments orally from GSA, which provided clarification and updates to the information included in the report. GAO also discussed the contents of the report with officials from the Departments of Defense, Agriculture, Energy, Justice, and Transportation, whose vehicle fleets comprise the majority of vehicles affected by the act. All of these officials concurred with the report.

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Abbreviations

AID	Agency for International Development
BATF	Bureau of Alcohol, Tobacco and Firearms
DOD	Department of Defense
DOE	Department of Energy
EPA	Environmental Protection Agency
FBI	Federal Bureau of Investigation
FPMR	Federal Property Management Regulation
FWS	Fish and Wildlife Service
GAO	General Accounting Office
GSA	General Services Administration
HHS	Health and Human Services
IFMS	Interagency Fleet Management System
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SCS	Soil Conservation Service
USIA	United States Information Agency
VA	Veterans Administration
VIMS	Vehicle Interactive Management System

Introduction

Title XV, Subtitle C, of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272) contains a number of provisions to improve the management of federal motor vehicles, control motor vehicle costs, and reduce federal agency budget outlays for motor vehicles. The act assigns specific responsibilities to the Administrator of the General Services Administration (GSA), the heads of executive agencies that maintain 300 or more motor vehicles, the Director of the Office of Management and Budget (OMB), the Comptroller General of the United States, and the President.

GSA is responsible for issuing regulations to implement the law and for taking several actions to reduce the cost of the federal motor vehicle fleet. OMB is required to monitor agency compliance with budget reduction goals established by the President and to annually summarize agency statements concerning operation of their motor vehicle fleets. The Comptroller General and the Director of OMB are to cooperate with GSA in issuing requirements for establishing motor vehicle data collection systems. Finally, the Comptroller General is to report on actions taken by GSA, OMB, and the executive agencies to comply with the law.

Twenty executive agencies with 300 or more vehicles are affected by the act and are responsible for implementing the act's major provisions to:

- establish and operate a central system for monitoring motor vehicle operations and related reporting requirements;
- develop systems to collect and analyze all costs associated with operating, maintaining, acquiring, and disposing of motor vehicles;
- justify in each year's appropriation request why existing and any new motor vehicle requirements cannot be met through GSA's Interagency Fleet Management System (IFMS) or a private fleet management firm or any other method less costly to the government; and
- conduct a comprehensive study of the costs, benefits, and feasibility of meeting motor vehicle requirements through GSA's IFMS, a private contractor, or any other means less costly to the government.

Finally, the act requires the President to establish goals for agencies to reduce motor vehicle expenditures by $150 million by fiscal year 1988.

These 20 agencies, which include the Department of Defense (DOD), GSA, and 18 other civilian agencies, spent about $915 million in fiscal year 1985 to operate over 340,000 vehicles in the United States and abroad. The 340,000 vehicles include agency-owned vehicles, commercially-

leased vehicles, and vehicles rented to other agencies through GSA's IFMS. About 150,000 of the vehicles were controlled by DOD and about 190,000 by civilian agencies according to GSA's Federal Motor Vehicle Fleet Report For Fiscal Year 1986.

Objectives, Scope, and Methodology

To fulfill the requirement that we report on actions taken to implement the act, we reviewed the actions taken by the 20 executive agencies[1] and OMB. We performed the review at OMB and the headquarters of the 20 agencies affected by the act and at field and/or contractor locations of 7 of the 20 agencies. These field and contractor locations were in 3 of GSA's 10 regions (Regions 5, 7, and 9, headquartered in Chicago, Fort Worth, and San Francisco, respectively). We selected locations in these regions because GSA had conducted or planned to conduct studies in these regions to determine whether placing an agency's fleet into GSA's IFMS would be less costly to the government than the agency's continued operation of the fleet. Agencies in these locations also had a history of vehicle disposal problems.

We reviewed GSA's Temporary Regulation G-48, the principal guidance developed to implement the act, and other guidance and instructions GSA provided to agencies. We interviewed GSA officials responsible for formulating the regulation and assisting agencies in implementing it. We reviewed internal directives, correspondence, orders, and documents that GSA and the agencies disseminated to their headquarters and field organizations regarding implementation. Finally, we met with officials of the seven agencies with the largest motor vehicle fleets to determine the problems they encountered in implementing the act and GSA's temporary regulation.

We reviewed the report prepared by GSA to comply with section 15306 of the act in which GSA identified locations for possible consolidation of agencies' vehicles into GSA's IFMS and interviewed GSA officials responsible for preparing the report and managing GSA's consolidation activities. To obtain the views of locations that had recently participated in GSA consolidation studies, we also interviewed officials at the

[1]The executive agencies affected by the act include Defense, Agriculture, the Interior, Energy, Justice, the Treasury, Transportation, Labor, Health and Human Services, State, Commerce, GSA, Environmental Protection Agency (EPA), National Aeronautics and Space Administration (NASA), Office of Personnel Management (OPM), Veterans Administration (VA), Agency for International Development (AID), Peace Corps, Panama Canal Commission, and the United States Information Agency (USIA).

Department of Energy's Lawrence Livermore and Lawrence Berkeley laboratories in California and Argonne Laboratory in Illinois.

To determine the status of agencies' actions in developing data collection systems and preparing cost studies, we asked the 20 agencies to tell us what actions they have planned for completing the systems and studies, and which actions they implemented. We interviewed the officials in each agency responsible for monitoring motor vehicle operations in order to obtain information on the potential effect of the planned change of Temporary Regulation G-48. We interviewed OMB and agency budget officials to obtain information on OMB's efforts to reduce motor vehicle budgets. We obtained agencies' reports of budget reductions but did not verify whether agencies actually reduced motor vehicle expenditures.

We also determined whether the act requires agencies, when performing their cost studies, to follow OMB Circular A-76 "Performance of Commercial Activities." According to GSA officials, Temporary Regulation G-48 suggests that agencies consider the cost elements set forth in A-76 when conducting their cost studies.

Finally, we obtained official comments orally from GSA, which clarified and updated several facts we had included in the report. We also discussed the contents of the report with officials from the Departments of Defense, Agriculture, Energy, Justice, and Transportation whose vehicle fleets comprise the majority of vehicles affected by the act. All of these officials concurred with the report.

Our audit work, which was conducted in accordance with generally accepted government audit standards, was done between February 1987 and July 1987, with certain information updated in December 1987 and January 1988.

Actions GSA Has Taken to Implement the Law

GSA has made progress toward fulfilling its responsibilities under Public Law 99-272. As required, GSA has issued guidance for agencies to follow in developing their motor vehicle data collection systems. In addition, GSA provided guidance to agencies regarding the cost comparison studies and other provisions. However, this guidance is currently being changed. GSA has hired two consultants to assist in developing the cost elements required for the data collection systems and the cost studies.

In addition, GSA has identified opportunities to reduce the cost of the federal fleet through the consolidation of agency-owned motor vehicle fleets into GSA's IFMS. Finally, GSA will use the recommendations from an Interagency Vehicle Disposal Panel to work towards satisfying the law's requirement to reduce motor vehicle storage and disposal costs and improve the rate of return on the sale of motor vehicles.

Issuance of the Temporary Regulation

In August 1986, GSA issued Federal Property Management Regulation (FPMR), Temporary Regulation G-48. The temporary regulation sets forth the policy for compliance with Public Law 99-272 and outlines the responsibilities of agencies, as well as those of GSA and OMB. The temporary regulation reiterates the agencies' responsibilities as contained in the law and provides definitions and instructions on how the law should be implemented.

Attachment B to the temporary regulation defines the cost elements—categorized as operating, fixed, and overhead costs—that agencies should include in their data collection systems. According to GSA officials these cost elements are based on the costs that GSA collects from its IFMS cost system and Civilian Executive Agency Aircraft Information System and from commercial fleet systems.

GSA's temporary regulation tells agencies to conduct a comprehensive and detailed study to compare the cost of the agency's current motor vehicle operations with the cost of (1) using IFMS, (2) contracting with a qualified private fleet management firm or other private contractor, and (3) using any other means less costly to the government. The temporary regulation directs agencies to compare the full costs of their motor vehicle fleet to the options noted above, using the cost elements defined in attachment B of the regulation as the basis for determining costs. Agencies were also told to consider the provisions of OMB's Circular A-76 "Performance of Commercial Activities," which sets out the policy for

comparing private sector performance of a government operated commercial activity to in-house performance of that activity when conducting the cost comparison study. The temporary regulation also told agencies to consider all agency-owned and leased motor vehicles in their cost studies, but to exclude IFMS vehicles or agency vehicles subject to an interagency consolidation study. GSA officials said they will study the IFMS vehicles or ensure they are studied by their customer agencies.

Cooperation With GAO

Section 15302(b) of Public Law 99-272 instructs GSA to cooperate with us when preparing the requirements for agencies' compliance with the data collection system provision of Public Law 99-272. The requirements are to be in conformance with accounting principles and standards issued by the Comptroller General. In response to a request from GSA, we provided comments on GSA's FPMR, Temporary Regulation G-4S in November 1986. In our comments, we expressed concern that

(1) the temporary regulation did not specifically state, from a cost accounting perspective, how agencies are to accumulate the cost data for the law's reporting requirements based on accrual accounting;

(2) the temporary regulation was not sufficiently specific regarding the economic assumptions to be considered in the required cost benefit studies; and

(3) the temporary regulation did not clearly define each cost element in the regulation's attachment B and did not explain how cost elements should be computed for each statutory requirement for obligation, outlay, and accrual information.

To remedy these problems, we suggested that GSA include in the temporary regulation the methods and procedures agencies should use to collect uniform and comparable cost data. We also suggested that GSA issue further guidance on the assumptions to be used to promote consistency and comparability among the agencies' cost comparison studies.

In several subsequent meetings with GSA, we discussed our comments and GSA's proposed changes to the regulation. GSA agreed with the majority of our suggested changes and said they would be incorporated into the final regulation.

Further Action Planned by GSA

To make the necessary changes to the temporary regulation, GSA hired two consultants, who according to GSA officials bring private sector experience to the effort. Contracts were awarded to both consultants on September 30, 1987. One consultant will develop a cost accounting handbook that will define the cost elements for the data collection systems and the cost studies. The other consultant will develop a statement of work for agencies to use when conducting their cost studies. GSA officials said they will receive the work statement in January 1988 and the handbook in February 1988.

The handbook that GSA has contracted for is intended to contain, in outline form, a standardized system of cost accounting for federal fleets that agencies can use as a reference to develop their data collection systems. The standardized cost accounting system is to have sufficient flexibility to suit the particular circumstances and operating characteristics of each federal agency without undermining overall system integrity. GSA's solicitation for bids for developing the cost accounting handbook requires that the resulting system be compatible with generally accepted accounting principles as these apply to federal activities, the GAO Policy and Procedures Manual for Guidance of Federal Agencies, and the U.S. Government Standard General Ledger.

The standardized statement of work for federal fleet operations is to be usable by agencies in conducting their cost studies. The statement is to be consistent with the requirements of the OMB Circular A-76 "Performance of Commercial Activities." GSA has requested that the consultant produce a statement for each of the basic components of fleet management. These are (1) vehicle acquisition, (2) vehicle and maintenance control, and (3) vehicle disposal. These three statements are to be written so that any single statement of work or group of statements of work may serve as the basis for soliciting requests for proposals for each component or group of components of fleet management without requiring alterations in the other statements of work and components.

GSA said that hiring consultants to standardize the cost elements for the data collection systems and cost studies and to develop the statements of work will facilitate developing comparable data collection systems among agencies. It will also provide the additional guidance necessary to develop the data collection systems and to complete the cost comparison studies. GSA officials have met with federal agency fleet managers to discuss the actions that GSA is taking. In addition, GSA has arranged meetings between private sector contractors and federal agency fleet managers, and a meeting with private sector software firms concerning

automated systems that could be used to fulfill the data collection system requirements. GSA officials said these meetings were conducted to provide information concerning government fleet operations to the private sector.

Interagency Consolidations

Public Law 99-272 mandates that GSA identify opportunities for the interagency consolidation of motor vehicles, related equipment, and facilities. GSA's authority to do so originates under section 211 of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 491). The 1949 act makes GSA responsible for providing an economical and efficient system for transportation of government personnel and property. It authorized GSA to take over the operation of a motor vehicle fleet once the Administrator determines through an analytical justification that it is advantageous to the government to do so after approval from the agency. GSA carries out this authority through consolidation of agency fleets into IFMS.

GSA's Anticipated Consolidations for Fiscal Years 1986 and 1987

Section 15306 of the law requires that the Administrator of GSA report to Congress any findings and recommendations resulting from the identification of opportunities for consolidation and to take actions the Administrator considers appropriate in accordance with section 211 of the Federal Property and Administrative Services Act.

The Administrator reported to Congress on April 27, 1987, that GSA initiated a 5-year consolidation plan at the beginning of fiscal year 1986. The report says that under this plan, GSA could place up to 75,000 vehicles from other agencies into IFMS over the next 5 years, if agencies agree that obtaining vehicles from GSA is the least costly alternative. The report says that savings of $11.9 million resulted from placing 5,100 agency vehicles into GSA's IFMS since the beginning of fiscal year 1986. The report concludes that there are additional opportunities for immediate cost savings with the continuation of fleet consolidations. The report identifies 56 agencies' locations having 16,929 vehicles, which GSA cites as representing opportunities for consolidation into its IFMS during fiscal year 1987. GSA officials said they studied approximately 10,000 of those vehicles and actually consolidated 3,434 vehicles. In many cases where GSA had not placed agency vehicles into their IFMS, GSA was awaiting agency approval of the consolidation action.

The method used by GSA headquarters officials to identify opportunities for consolidating agencies' vehicles during fiscal year 1987 may help

explain the difference between the number of vehicles identified and those actually consolidated during fiscal year 1987. The fiscal year 1987 list of planned consolidations included locations suggested by GSA's regional staff for possible consolidation, based principally on the GSA regional fleet manager's knowledge of the proposed agencies' fleets. Agencies were placed on the list whether or not the agency had expressed an interest in consolidation.

Reduction of Storage and Disposal Costs

GSA is using recommendations from a 1987 Vehicle Disposal Panel study to satisfy section 15307 requirements and has identified actions to take for each recommendation. The disposal panel report does not show whether the actions proposed by the panel to improve the disposal process would reduce costs. However, officials of agencies indicated that some actions could improve the motor vehicle disposal process, but others would have no effect.

Problems Noted and Recommendations Made by the Vehicle Disposal Panel

GSA established a multiagency Vehicle Disposal Panel in March 1986, prior to the passage of Public Law 99-272, to study the vehicle disposal process. GSA has used the results of the panel's study to fulfill the requirements of section 15307 of the law. Participants in the panel included representatives from the Departments of Agriculture, the Interior, Justice, and the Treasury, and GSA. The panel reviewed motor vehicle disposal procedures to identify problems or areas of concern. Some of the agencies participating had expressed dissatisfaction in the past with the disposal process.

A major concern with the process was the length of time required for disposal. The prior disposal process for agency-owned vehicles began when the holding agency declared the vehicles excess for the purpose of transfer to another agency or available for exchange/sale. If no other agency took the excess vehicles donated for transfer, they became available for sale. Exchange/sale vehicles were available for immediate sale if no other agency desired to purchase them. If the sales proceeds were not expected to be more than $1,000, the holding agencies could exercise their "small lot sales authority," which means they could sell the vehicles themselves.

The disposal objectives resulting from the panel's study were to:

- sell all government vehicles within 60 days or less from the date GSA receives notice the vehicle is available for sale from the agency, and

- obtain maximum dollar return for each vehicle.

The final report of the Vehicle Disposal Panel, issued on March 27, 1987, contained legislative, regulatory, procedural, and general recommendations.

The panel's legislative recommendation was intended to raise the negotiation limit to a level that is commensurate with the value of the vehicles in the disposal process. The negotiation limit set by law allows agencies to negotiate the sale or exchange of their vehicles when the vehicles are valued at $500 or less. GSA adopted this recommendation and has proposed this as legislation.

The regulatory recommendations would accomplish the following:

- Agencies' small lot sales authority would be raised from a $1,000 proceeds limit to $5,000.
- GSA Regional Administrators' small lot sales approval authority would be increased from $5,000 to $25,000.
- Agencies would be authorized to conduct auction, spot bid, and fixed price sales, instead of being restricted to sealed bid sales.
- Agencies would receive a simplified guide to assist agency personnel in conducting small lot sales.
- Agencies would be allowed to dispose of vehicles with little value without going through the reportable utilization/donation process, which requires agencies to declare such vehicles as excess for a period of 60 days and make them available for exchange or sale to other agencies before reporting them to GSA for public sale.

The procedural recommendations would require (1) agencies to state when they do not have the capability to conduct small lot sales; (2) GSA regional sales offices to improve the lines of communication with agencies in order to obtain planning information to formulate sales plans, and to consider the needs and capabilities of holding agencies when doing so.

The general recommendation proposed establishing permanent sale sites thereby reducing agencies' vehicle storage fees.

Agencies' Reactions to GSA's Efforts to Reduce Storage and Disposal Costs

There was much reluctance on the part of agencies we spoke with to carry out their own small lot sales, and therefore the actions taken by GSA to facilitate these sales have met with little interest among the agency officials with whom we spoke. In GSA Region 5[1] for example, 9 of 10 agencies visited had not conducted small lot sales, and said they would only conduct them when delayed GSA sales were costing the agency operating funds. Also, in GSA Region 7,[2] only the Fish and Wildlife Service (FWS) and the Soil Conservation Service (SCS) sell vehicles themselves. However, SCS sells the vehicles themselves only because it costs more to transport the vehicles to the sale than SCS expects to recover at the GSA auction. FWS only sells its vehicles when GSA has refused to sell them because the vehicles are in such poor condition. Finally, in GSA Region 9,[3] the Forest Service, the Bureau of Alcohol, Tobacco and Firearms (BATF), FWS, and the Federal Bureau of Investigation (FBI), did not want to conduct small lot sales because they said they did not have the staff to accompany prospective buyers to inspect vehicles, or to attend to the required administrative duties.

[1]Region 5 is headquartered in Chicago, Illinois, and covers midwestern states.

[2]Region 7 is headquartered in Fort Worth, Texas, and covers southwestern states.

[3]Region 9 is headquartered in San Francisco, California, and covers western states.

Actions Executive Agencies and OMB Have Taken to Comply With the Law

Although Public Law 99-272 does not contain deadlines for compliance with most of its requirements, all affected agencies have made some progress to meet the law's requirements. For example, most agencies have taken some action to fulfill the requirement for a motor vehicle monitoring system. However, agencies have made less progress toward establishing data collection systems that meet the requirements of the law. Many have said they are waiting for GSA's final version of the cost requirements for the data collection systems. Four civilian agencies and several DOD locations have taken steps to fulfill the cost study requirement. Agencies have met their OMB assigned share of the budget reduction goal of $150 million.

Development of Centralized Monitoring System

Each agency has designated an individual or office to be responsible for the establishment and operation of a central monitoring system to provide oversight of motor vehicle operations of the agency, as required by section 15301. However, plans to establish monitoring systems vary between agencies. For example, most agencies said they plan to use existing systems or modified systems to fulfill the centralized monitoring system requirement. About one-third of the agencies had no definite plans as to how they will establish monitoring systems when we contacted them.

Designation of Focal Points

Each agency has designated an official to establish and operate the central monitoring system required by section 15301. The majority of these officials hold positions within the agencies' Fleet Management or Transportation Divisions. Other focal points hold positions in the agencies' property and equipment management office or in a department level administrative office.

Table 3.1 summarizes agencies' plans for their monitoring systems. It shows which agencies plan to use or modify an existing system to meet the requirement for a monitoring system and those that did not have definite plans. Information in the table for the nine agencies whose vehicles comprise a majority of the fleet is as of January 1988. Information for the remainder of the agencies is as of June 1987.

Table 3.1: Agencies' Plans for the Monitoring System Required by Section 15301

Agency	Has required system or will modify existing system to meet requirement	Plans for system indefinite
Dofense		
Army[a]	x	
Navy[a]	x	
Air Force[a]	x	
Marine Corps		x
Army Engineers[a]	x	
Agriculture[a]	x	
Interior	x	
Energy[a]	x	
Justice[a]	x	
Treasury	x	
Transportation[a]		x
Labor		x
VA	x	
HHS		x
NASA	x	
State		x
Commerce		x
AID	x	
Panama Canal	x	
USIA		x
OPM	x	
EPA		x
Peace Corps	x	
GSA[a]	x	
Total[b]	**16**	**8**

[a]Information as of January 1988.

[b]Totals include the four military services and the Army Corps of Engineers as separate agencies.

Agencies With Definite System Plans

Several agencies said they plan to use current systems to meet the vehicle monitoring requirements of section 15301. Eleven of the agencies in table 3.1 plan to use existing systems without modification, to monitor motor vehicle operations. For example, the Air Force uses its automated Vehicle Interactive Management System (VIMS) to monitor motor vehicle use, and NASA utilizes several internal management mechanisms to monitor motor vehicle operations.

Five agencies with systems that currently monitor motor vehicle operations said they have plans for future modifications to the systems. For example, Agriculture and Justice plan to modify their existing motor vehicle monitoring systems after GSA changes Temporary Regulation G-48. Agriculture currently uses its automated Equipment Management Information System to monitor motor vehicle information and predicts the system will require only minor computer programming changes after the temporary regulation is changed. Justice's current motor vehicle monitoring system is based on the temporary regulation. The system monitors motor vehicle expenditures on a quarterly basis through on-site reviews. Once GSA changes the temporary regulation, Justice officials plan to meet to discuss possible additional functions to be carried out during the on-site reviews in order for the system to meet the new temporary regulation's requirements.

Agencies Without Definite System Plans

As table 3.1 shows, eight agencies have said they do not have definite plans for implementation of a motor vehicle monitoring system. Agencies provided us with various reasons for the absence of definite plans. Two agencies have not established their monitoring systems. One is waiting to complete its cost study before the monitoring system and the other is waiting to establish a data collection system (see next section) before establishing a monitoring system. Two agencies have monitoring systems decentralized throughout their organization, but had no definite plan to establish a centralized system in the agency. Other agencies had not yet formalized plans to establish a monitoring system when we contacted them.

For example, the Department of Labor currently does not have a monitoring system for its agency-owned vehicles and uses a monthly report from GSA to monitor the vehicles it leases from GSA. Labor is waiting to complete its cost study to determine whether it is cost effective to continue to use Labor-owned vehicles before it develops a monitoring system. The Departments of State and Health and Human Services (HHS) maintain decentralized monitoring systems and did not provide any definite plans to develop centralized systems. Commerce and the U.S. Information Agency (USIA) have not developed formal plans for any monitoring system.

Data Collection Systems

Section 15302 of Public Law 99-272 requires agencies to develop systems to identify, analyze, and collect data on the cost of acquisition, operation, maintenance, and disposal of motor vehicle fleets. Generally, agencies fall into one of three categories:

- agencies that plan to modify or create new data collection systems,
- agencies that plan to use existing systems, and
- agencies that have not yet developed plans for their data collection systems.

As table 3.2 shows, most of the agencies plan to meet the requirement by modifying their existing accounting systems or creating new data collection systems when GSA finalizes Regulation G-48. A smaller number of agencies plan to use currently existing systems, without modification, to meet the requirement. The remaining agencies were uncertain about the actions they will take to comply with the requirements of section 15302. Information in the table for the nine agencies whose vehicles comprise a majority of the fleet is as of January 1988. Information for the remainder of the agencies is as of June 1987.

Table 3.2: Agencies' Plans for Data Collection Systems

Agency	Use existing system	Modify/ create system	Plans unknown
Defense			
Army[a]	x		
Navy[a]		x	
Air Force[a]	x		
Marine Corps		x	
Army Engineers[a]		x	
Agriculture[a]		x	
Interior		x	
Energy[a]		x	
Justice[a]		x	
Treasury		x	
Transportation[a]			x
Labor		x	
VA		x	
HHS			x
NASA		x	
State			x
Commerce		x	
AID			x
Panama Canal	x		
USIA			x
OPM	x		
EPA		x	
Peace Corps		x	
GSA[a]		x	
Total[b]	**4**	**15**	**5**

[a]Information as of January 1988.

[b]Totals include the four military services and the Army Corps of Engineers as separate agencies.

Agencies Planning to Use Existing Systems

Four agencies said they plan to use a current system to capture motor vehicle costs without modifying the system to meet the temporary regulation's requirements. Three of the four agencies have determined that their current accounting or budgeting systems capture the cost elements required by the temporary regulation. They therefore believe the development of a new system would be unnecessary.

For example, officials from the Air Force and the Panama Canal Commission believe the cost elements delineated in the temporary regulation

are currently captured in the Air Force's VIMS and the Commission's Financial Management System. Neither agency has plans to modify or develop new systems to comply with section 15302.

The Office of Personnel Management (OPM) obtains most of its vehicles from GSA's IFMS. Accordingly, data on OPM's motor vehicles and the direct cost of its motor vehicle fleet are captured by GSA's IFMS cost accounting system. This system does not capture OPM's overhead or depreciation cost, but OPM officials believe they can capture these costs without the development of a new data collection system.

Agencies With Indefinite Plans for Developing a Data Collection System

Five agencies said they do not have definite plans for developing data collection systems. For example, HHS and State have systems that officials believe will not require modification once GSA issues Temporary Regulation G-48 in final form. Until a final regulation is issued, however, the officials were not certain what actions, if any, they will take to meet the temporary regulation's requirements. In addition, the Agency for International Development (AID) and USIA officials were uncertain about the requirements for developing data collection systems. AID officials were unaware of the requirement that agency data collection systems include cost elements identified in the temporary regulation. USIA officials were unclear about the cost elements to be included in their data collection system and said they needed further guidance on the methodology to use in developing the required cost elements. Transportation Department officials also indicated they were uncertain about what the cost elements would require.

Problems in Developing Data Collection Systems

Agency officials identified several problems in developing a data collection system. These result from the requirements in Temporary Regulation G-48 and from normal agency operations. Before GSA issued the temporary regulation, federal agencies were not required to separately identify many of the specific indirect cost elements identified in the temporary regulation. Consequently, agencies were unfamiliar with these costs and how to collect them. Agency officials expressed confusion about collecting overhead and indirect costs and questioned the practicality of this. Several of the agencies expressed their concerns directly to GSA while others told us they were waiting for GSA to provide further guidance before deciding whether they could proceed with development of a data collection system.

In December 1986, GSA asked agencies to respond to our comments on Temporary Regulation G-48. Our comments noted the need for better definitions of cost elements and instructions to agencies for developing their data collection systems. Several of the agencies told GSA that they agreed with us and requested that GSA provide additional guidance to help the agencies develop their data collection systems.

In addition to these problems with the temporary regulation, several agencies also cited agency-specific problems that prevented or delayed development of their data collection systems. For example, AID's overseas missions are responsible for maintaining their own motor vehicle expenditure systems. Currently, according to AID officials, the quality of these systems varies among missions. In the missions where the systems are managed by foreign nationals, AID officials believe these individuals may find it difficult to implement a system using the cost elements outlined in the temporary regulation. Other agencies such as Labor and the Environmental Protection Agency (EPA) said the expense of developing data collection systems outweighs the savings that may result.

Cost Comparison Studies

Agencies are required by section 15305 of the law to conduct a cost study of their motor vehicle fleets, comparing the costs, benefits, and feasibility of (1) relying on IFMS operated by GSA, (2) entering into a contract with a qualified fleet management firm or another private contractor, or (3) using any other means less costly to the government to provide their motor vehicle needs.

The law does not specify a study methodology and provides no deadline for completing the study. GSA's Temporary Regulation G-48, suggests agencies use the cost elements in an attachment to the regulation to perform their cost studies and that agencies should consider the provisions of OMB Circular A-76 "Performance of Commercial Activities" when performing their studies.

GSA has hired one consultant to prepare a standard statement of work for agencies to use in conducting their cost studies, and another consultant to clarify the cost elements to be used in determining agency costs for the study. GSA does not plan to issue a final regulation until the consultant has completed the work to clarify the cost elements. Some agencies have decided to wait for this, but others have chosen to proceed with their cost studies, using either OMB's A-76 methodology, or GSA's original Temporary Regulation G-48. Table 3.3 summarizes the actions

agencies advised us they have taken to meet the cost study requirements. Information in the table for the nine agencies whose vehicles comprise a majority of the fleet is as of January 1988. Information for the remainder of the agencies is as of June 1987.

Table 3.3: Steps That Agencies Are Taking to Comply With the Cost Study Requirement

Agency	Study started	Study not started
Defense		
Army[b]	x	
Navy[b]	x	
Air Force[b]	x	
Marine Corps		x
Army Engineers[b]	x[a]	
Agriculture[b]	x	
Interior		x
Energy[b]	x	
Justice[b]		x
Treasury		x
Transportation[b]		x
Labor		x
VA		x
HHS	x	
NASA		x
State	x	
Commerce		x
AID		x
Panama Canal		x
USIA		x
OPM		x
EPA		x
Peace Corps		x
GSA[b]		x
Total[c]	**8**	**16**

[a]Includes nontactical military vehicles only.

[b]Information as of January 1988.

[c]Totals include the four military services and the Army Corps of Engineers as separate agencies.

Agencies' Actions to Conduct Cost Studies

Agriculture, Defense, HHS, and State officials said they are going ahead with their cost studies using the OMB Circular A-76 methodology. The Department of Energy (DOE) is using Temporary Regulation G-48 as a

basis for its cost study. (See chap. 2 for a discussion of the temporary regulation's guidance, and app. I for legal opinion concerning using A-76 to conduct cost studies.) The circular sets out the policy for commercial sector performance of a government operated commercial activity. It says, whenever commercial performance is permissible (in accordance with the circular and its supplement) a comparison of the cost of contracting and the cost of in-house performance shall be performed to determine whether the private sector or the government will do the work.

Agriculture

Because an A-76 study is an established method for carrying out studies comparing the cost of government operations with the private sector, some agencies interpret the cost study requirement of Public Law 99-272 as requiring an A-76 study. Agriculture has started an A-76 study of its motor vehicle fleet. Agriculture is using the A-76 guidance to determine the in-house cost of its motor vehicle fleet and has prepared the Performance Work Statement/Statement of Work required by the A-76 process. Agriculture plans to solicit bids to operate its motor vehicle fleet from GSA, as well as private contractors. The deadline for offers will be July 1, 1988. Agriculture plans to evaluate all offers and to decide about an award by January 1, 1989.

Armed Services

The Armed Services have made a number of A-76 studies, and some studies have included their motor vehicle operations. DOD officials representing the Army, Air Force, and Navy said they will use the A-76 study process to fulfill the cost study requirement of Public Law 99-272. The Navy is also considering Reserve Officer Training Corps and Naval Reserve Readiness Command unit vehicles as potential candidates for consolidation.

The Army is in the process of conducting consolidation studies instead of cost comparison studies, which had been allowed by Temporary Regulation G-48 prior to a recent change in the temporary regulation. The Army plans to transfer the majority of their continental U. S. motor vehicle fleet to GSA by 1991 through a program initiated in fiscal year 1986.

Health and Human Services and State

HHS and the State Department have completed or are in the process of completing A-76 studies on a portion of their motor vehicle fleets. At the Public Health Service bureaus—the only HHS bureaus that own motor

vehicles—officials are in the process of conducting A-76 type studies of their fleets. State has recently completed an A-76 study on about one-third of the Domestic Operations' motor vehicle fleet.

Energy

The cost study effort at DOE has been decentralized. DOE's headquarters sent cost study instructions, including sample bids and statements of work, to each DOE field location. At the larger locations, DOE officials were instructed to study the cost of DOE vehicles at that location, compared to the cost of vehicles provided by a private sector company and GSA's IFMS. According to DOE officials, at locations possessing smaller fleets, where a large cost study could not be justified, officials compared the cost of current operations to the use of the private sector using GSA Federal Supply schedules rather than soliciting bids from contractors. DOE completed cost studies at 70 of its 76 locations as of December 31, 1987.

Agencies Are Delaying Their Cost Studies

While some agencies are moving ahead on their cost studies, many more are delaying until GSA completes Temporary Regulation G-48 and the standard statement of work. While waiting until GSA issues the statement of work before starting its cost study, Commerce will be verifying inventory, gathering cost data, and determining future motor vehicle requirements. The Departments of Treasury and Transportation are also waiting for GSA's statement of work. NASA has halted cost study efforts until GSA decides the cost elements that could be used in the cost study. NASA plans to use GSA's statement of work as a guide for its cost study, but believes that it will have to be modified in order to take into account NASA's special requirements. The Veterans Administration (VA), the Department of Justice, EPA and Labor are all waiting for the final version of Temporary Regulation G-48 from GSA before they devote the time and resources to their cost studies.

IFMS Vehicles

Agencies which now obtain their vehicles from GSA's IFMS are uncertain what they must do to satisfy the study requirements of Public Law 99-272. According to the law, the cost of all options for obtaining motor vehicles must be compared. This means comparing the current method of obtaining vehicles from IFMS to the agency's in-house motor vehicle costs, as well as to the cost of obtaining vehicles from the private sector. However, the cost of obtaining motor vehicles from IFMS must be compared to the private sector. Agencies that now rely on GSA's IFMS for a

large portion of their motor vehicle fleet have said that GSA should compare the cost of IFMS vehicles to the private sector and provide the results to the agencies. GSA agreed to do so, or ensure they are studied by their customer agencies.

Overseas Vehicles

Agencies with large numbers of vehicles overseas say they will have difficulty complying with the cost study requirements of the law. Agriculture, State, USIA, the Peace Corps, the Panama Canal Commission, and AID have told us they anticipate problems because GSA's IFMS vehicles are not available overseas and, in most cases, there are few private contractors operating overseas, especially in Third World countries. This eliminates the possibility of a cost comparison study for these agencies at the majority of their overseas locations.

Leasing Concerns

Several agencies have told us they cannot easily change their mode of vehicle fleet operation if a cost study should indicate that it is less expensive to use another means of vehicle fleet management. For example, the military services are restricted to a 18-month lease period with the private sector for any service, including motor vehicle operations. This may prevent the services from obtaining the lowest price possible on motor vehicle contracts with the private sector because contractors would have to recoup their costs over a relatively shorter period. The services have also said that war-time mission requirements may compel ownership of motor vehicles in certain cases. Justice and Treasury officials have said they believe they need to own their law enforcement vehicles, even if it is less expensive to lease, because they do not believe that they would receive sufficient support from GSA or a private contractor for these vehicles' special needs.

Special Purpose Vehicles

Agencies, such as NASA and Agriculture, own special purpose vehicles in addition to general purpose vehicles. Vehicles that GSA agrees are special purpose vehicles are excluded from the requirements of Public Law 99-272. NASA and Agriculture believe their cost studies should recognize that the cost of special purpose vehicles and related facilities will continue even if general purpose vehicles are obtained from GSA or a private contractor.

OMB's Oversight of Agency Budget Reductions and Motor Vehicle Budget Justifications

OMB's responsibilities under Public Law 99-272 include the budget reduction goal totaling $150 million it directed agencies to make by fiscal year 1988. In addition, agencies are to provide OMB with data on total obligations and outlays for motor vehicles for the past and current budget years, beginning with their fiscal year 1988 budget submission, and to submit justifications for new and existing motor vehicle operations.

Reductions in Budget Outlays

To satisfy the requirement to monitor agency budget reductions, OMB issued Bulletin 86-17. The bulletin tells agencies how to report their progress in achieving, by fiscal year 1988, their share of a $150 million reduction goal from the amount requested in the President's fiscal year 1986 budget for vehicle operations, maintenance, leasing, acquisition, and disposal. To administer the $150 million goal reduction, OMB used a formula which allocated the reduction to the agencies taking into account the number and types of vehicles and total vehicle costs. Table 3.4 shows each agency's share of the $150 million reduction.

Table 3.4: Agencies' Share of the $150 Million Reduction

(Dollars in millions)

Agency	Reduction
Defense	$85.947
Agriculture	17.148
Interior	13.893
Energy	7.405
Justice	5.924
Treasury	3.549
Transportation	3.626
Labor	2.324
VA	2.285
HHS	1.749
NASA	1.591
State	1.104
Commerce	.838
GSA	.829
AID	.433
Panama Canal Commission	.368
USIA	.308
OPM	.204
EPA	.186
Peace Corps	.166
Total[a]	**$150.000**

[a]Total rounded

In achieving the $150 million reduction, agency officials acknowledged that the law required them to give priority to making reductions in headquarters expenditures, but they said few if any reductions were made in headquarters. For example, agency officials at Agriculture, Commerce, State, and NASA explained that their headquarters fleets were too small to absorb any reductions in size.

The $87 million reduction agencies reported they achieved in fiscal year 1986 represents about 60 percent of the total. The combined fiscal year 1986 actual and 1987 estimated reductions total $166 million, or $16 million more than the $150 million goal established by Public Law 99-272. See table 3.5.

Table 3.5: Agency Motor Vehicle Budget Reductions as Reported to the Office of Management and Budget

(Dollars in millions)

Agency	President's FY 86 budget request	Motor vehicle reduction goals	Reductions[a] in fiscal year 1986	1987
Defense	$740	$86	$23	$56
Agriculture	136	17	14	11
Interior	131	14	10	2
Energy	85	7	5	4
Justice	91	6	19	0
Treasury	44	4	4	0
Transportation	37	4	2	1
Labor	16	2	2	[b]
VA	17	2	2	0
HHS	15	2	[b]	1
NASA	12	2	2	[b]
State	39	1	0	1
Commerce	8	1	1	1
GSA	8	1	1	1
Other	27	2	2	1
Total	**$1,406**	**$150[c]**	**$87**	**$79**

[a]1986 reductions are actual reductions while 1987 are estimated.

[b]Reduction of $500,000 or less.

[c]Total rounded.

Justifications to Be Included With Appropriation Submissions

Under Public Law 99-272, OMB must summarize agencies' budget justifications accompanying their appropriation submissions. OMB's Bulletin 86-17 directed agencies to submit total motor vehicle acquisition, maintenance, leasing, operation, and disposal costs, including obligations and outlays incurred for the previous completed fiscal year. Starting with the agencies' fiscal year 1988 appropriation request and in each succeeding year, agencies are to submit an estimate of motor vehicle costs for the current and succeeding fiscal year. OMB published this information in its report to Congress entitled The Management of the United States Government, Fiscal Year 1988. In addition, OMB has required agencies to justify in their fiscal year 1989 budget submissions why agencies' current and new motor vehicle acquisition, operation, maintenance, leasing, and disposal activities cannot be met through GSA's IFMS,

a private sector fleet management firm, or another method less costly to the government.

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GAO Legal Opinion Regarding Use of A-76 to Perform Cost Studies

Question:
Does section 15305 of Public Law 99-272 require executive agencies to conduct Office of Management and Budget (OMB) Circular A-76 cost comparison studies when comparing the agencies' current motor vehicle operations with a qualified fleet management firm or other private contractor?

In our opinion, section 15305 does not require executive agencies to perform OMB Circular A-76 cost comparison studies to fulfill the requirements of the Act.

Background

Section 15305 is among several sections enacted as part of title 15, subtitle C of the Consolidated Omnibus Budget Reconciliation Act of 1985, Public Law No. 99-272, 100 Stat. 82, 336-37 (1986) (the Act), (see ch. 2 and 3 for specific requirements of other sections). This section directs agencies to conduct a comprehensive and detailed study of the costs, benefits, and feasibility of meeting motor vehicle operation, maintenance, leasing, acquisition, and disposal requirements through (1) GSA's IFMS, (2) a contract with a qualified fleet management firm or another private contractor, or (3) any other means less costly to the government. GSA's Temporary Regulation G-48 directs agencies to base their study on the full costs of operation (using the cost elements specified by GSA in its regulation) and to consider the provisions of OMB's Circular A-76 "Performance of Commercial Activities."

Some agencies have interpreted the cost study requirement of Public Law 99-272 as requiring an A-76 study. For example, the Department of Agriculture plans to solicit bids under the A-76 process for its motor vehicle fleet. GSA, as well as private contractors, will be asked to bid on the operations of Agriculture's entire fleet. Agriculture plans to evaluate all offers and to award or cancel the solicitation by January 1, 1989. See chapter 3 for other examples of agencies using A-76 as a basis for conducting cost studies required by Section 15305 of Public Law 99-272.

Executive Agency Discretion to Use A-76 to Conduct Studies

The limited legislative history regarding the motor vehicle expenditure control provisions set out in the 1985 act generally reveals the congressional belief "that significant savings can be achieved by finding more efficient means to acquire, operate, maintain, and dispose of motor vehicles in Federal agencies [than those which exist] ...." H. R. Conf. Rep. No.

453, 99th Cong., 1st Sess. 674.[1] This history points to the fact that "there are insufficient data on current costs of fleet management to mandate specific dollar savings ..., [as] [t]he government's accounts do not separately identify the specific cost of motor vehicles acquisition, operation, maintenance, and disposal, ..." and suggests that specific cost reduction goals be established by the President and, to the extent possible, complied with by agencies. The reporting requirements are set forth in the act "to assure that Congress will be fully informed not only of the projected savings in future budgets, but also progress in meeting established goals...."

Essentially, section 15305 is a study requirement designed to provide agencies and Congress with information relevant to agency motor vehicle requirements. The statute itself does not specify a method for compiling cost data or conducting the study for purposes of this requirement. Similarly, the legislative history makes no mention of OMB Circular A-76 or any other method for comparing costs. Hence, there is no indication in the legislative history that Congress intended agencies to carry out an elaborate cost analysis or to have the cost analysis result directly in a contract award as envisioned by the A-76 process. Although we would not object, as a legal matter, to an agency's decision to utilize the time-tested formulae of the OMB Circular A-76 Supplement in any section 15305 cost analysis, we find no indication that such procedures are required either by the plain language of section 15305 or its legislative history.

[1]This conference report was rejected for other reasons by the House of Representatives on December 19, 1985. (See H. R. Res. No. 349, 99th Cong., 1st Sess., 131 Cong. Rec. H13291 daily ed. Dec. 19, 1985.)

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